

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Mideastern Michigan Library Cooperative	County Genesee
Audit Date 9/30/04	Opinion Date 10/21/04	Date Accountant Report Submitted to State: 1/14/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

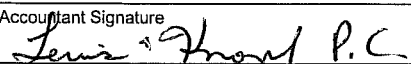
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Lewis & Knopf, P.C.			
Street Address 5206 Gateway Centre - Ste 100		City Flint	State MI
Accountant Signature 		ZIP 48507	Date 1-7-05

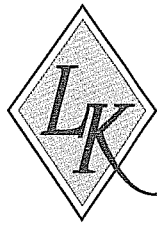
MIDEASTERN MICHIGAN LIBRARY COOPERATIVE

FLINT, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	I
Management's Discussion and Analysis	II – X
Basic Financial Statements:	
Government-wide Financial Statements:	
Governmental Fund Balance Sheet/Statement of Net Assets	1
Statement of Governmental Revenue, Expenditures and Changes in Fund Balance/ Statement of Activities	2
Fiduciary Fund	
Statement of Fiduciary Net Assets	3
Notes to Financial Statements	4 – 9
Required Supplementary Information	
Budgetary Comparison Schedule:	
General Fund	10
Individual Schedules:	
Schedule 1 - General Fund – Schedules of Expenses	11
Schedule 2 - Trust and Agency Fund - Schedule of Receipts and Disbursements	12
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

October 21, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mideastern Michigan Library Cooperative

We have audited the accompanying financial statements of the governmental activities of Mideastern Michigan Library Cooperative, as of and for the year ended September 30, 2004. These financial statements are the responsibility of the Mideastern Michigan Library Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Mideastern Michigan Library Cooperative as of October 21, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2004, on our consideration of the Mideastern Michigan Library Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the Cooperative has implemented a new financial reporting model, as required by the provisions of the *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of October 1, 2003, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information on pages II - X and 10 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mideastern Michigan Library Cooperative's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

As management of the Mideastern Michigan Library Cooperative, we offer readers of the Mideastern Michigan Library Cooperative's financial statements this narrative overview and analysis of the financial activities of the Mideastern Michigan Library Cooperative for the fiscal year ended September 30, 2004. In the future, comparative analysis will be provided when prior year information becomes available.

FINANCIAL HIGHLIGHTS

- * The Cooperative is reporting financial statements this year that meet the requirements of GASB 34. The primary change requires reporting all assets at full cost less depreciation expense.
- * As a result of this change, the Cooperative reports net assets of \$390,691 this year on a full accrual basis, as compared to fund balances of \$394,568 on the modified accrual basis.
- * The Cooperative's primary source of revenue is from state aid. For 2004, total state aid was \$556,234. This represents approximately 70 percent of total revenue, which is an increase of 38.5% over prior year.
- * Delivery and transportation expenses are the largest overall expenditure of the Cooperative. For 2004, this expenditures was \$186,654, representing 25.5 percent of the Cooperative's total expenditures, up only 19% compared to prior year.
- * Salaries and fringe benefits are the second largest overall expenditures of the Cooperative. For 2004, this expenditure was \$158,246, representing 21.6 percent of the Cooperative's total expenditures.
- * Total expenditures for the entire year under the modified accrual method of accounting were \$733,383 which was fairly steady compared to prior year.
- * The Cooperative's conversion to meet GASB 34 standards, which includes capitalization of Cooperative owned assets and associated depreciation expense, as well as the increase in compensated absences expense, is reflected in the Statement of Activities on page 2 of this financial report.

USING THIS ANNUAL REPORT

This annual report consists of three parts: *Management's Discussion and Analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Cooperative.

- * The first column of the financial statements includes information on the Cooperative's General Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Cooperative's sources and uses of funds.
- * The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- * The third column presents the Cooperative's operations on a full accrual basis, which provides both long, and short-term information about the Cooperative's *overall* financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Cooperative on a longer-term view of the Cooperative's finances.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

USING THIS ANNUAL REPORT (Continued)

Government-Wide Statements

The government-wide statements report information about the Cooperative as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Cooperative's net assets and how they have changed. Net assets—the difference between the Cooperative's assets and liabilities—is one way to measure the Cooperative's financial health, or position.

- * Over time, increases or decreases in the Cooperative's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- * To assess the overall health of the Cooperative you need to consider additional nonfinancial factors such as changes in the Cooperative's state revenue base and the number of libraries in the cooperative

Fund Financial Statements

The fund financial statements provide more detailed information about the Cooperative's most significant funds, not the Cooperative as a whole. Funds are accounting devices that the Cooperative uses to keep track of specific sources of funding and spending for particular purposes.

The Cooperative has two kinds of funds:

- * Governmental funds - All of the Cooperative's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Cooperative's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- * Fiduciary funds - The Cooperative is the trustee, or fiduciary, for its member libraries. The Cooperative is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Cooperative's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Cooperative's government-wide financial statements because the Cooperative cannot use these assets to finance its operations.

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the Cooperative, assets exceed liabilities by \$390,691 at the close of the most recent fiscal year.

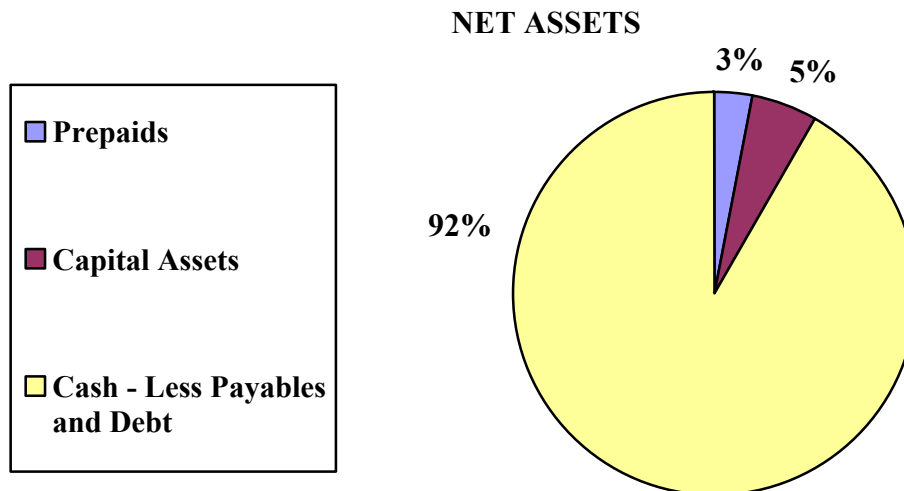
Of the Cooperative's net assets 5% reflects its investment in capital assets (e.g., furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Cooperative uses these capital assets to provide services to members; consequently, these assets are *not* available for future spending. Although the Cooperative's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

CONDENSED FINANCIAL INFORMATION

The following table below shows key financial information in a condensed format:

<u>ASSETS</u>	
Current Assets	\$400,032
Non-Current Assets	21,264
	<hr/>
<u>TOTAL ASSETS</u>	<u><u>\$421,296</u></u>
 <u>LIABILITIES</u>	
Current Liabilities	\$5,464
Non-Current Liabilities	25,895
	<hr/>
Total Liabilities	\$31,359
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	21,264
Unrestricted	368,673
	<hr/>
<u>TOTAL NET ASSETS</u>	<u><u>\$389,937</u></u>



During fiscal year ended June 30, 2004, the Cooperative's net assets increased by \$50,902. The Cooperative is able to report positive balances in all categories of net assets for its governmental activities.

Net Assets - Invested in Capital Assets – Net of Debt

A significant portion of the increase was related to the Cooperative's Invested in Capital Assets – Net of Debt. Net Assets Invested in Capital Assets – Net of Debt increased by \$14,291 during the year due to purchases of new capital assets, net of depreciation.

Net Assets - Unrestricted

The Cooperative's Unrestricted Net Assets decreased \$25,141 during the year. These funds are used to meet governments ongoing obligations to citizens and creditors. The majority of this decrease represents the recording of compensated absences in relation to the implementation of GASB 34.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

CONDENSED FINANCIAL INFORMATION (Continued)

REVENUE

Charges for Services	\$172,775
State Aid	556,234
Operating Grants	42,666
Other Revenue	23,460
Total Revenue	<u>\$795,135</u>

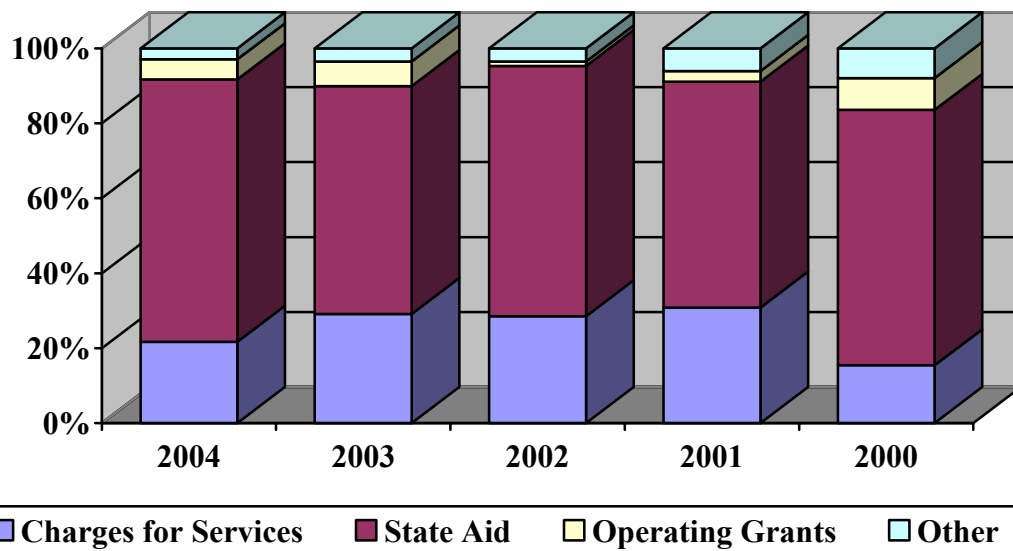
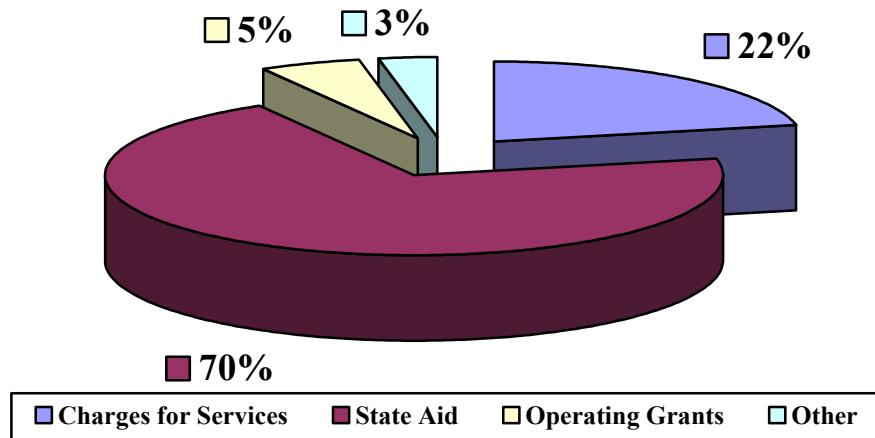
EXPENDITURES

Operating	189,102
Programs and Projects	532,089
Total Expenditures	<u>\$721,191</u>

REVENUE OVER EXPENDITURES

\$73,944

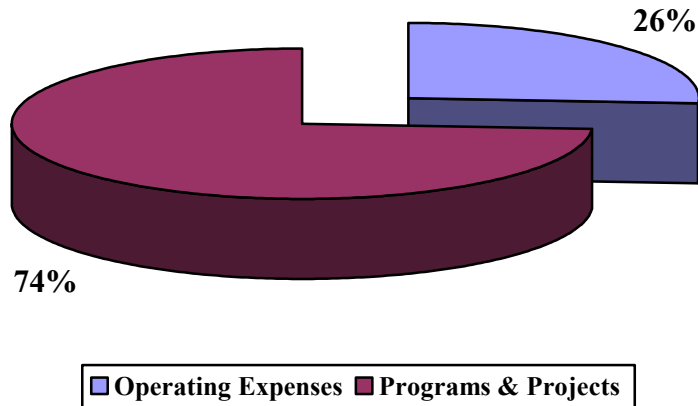
REVENUE



MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

CONDENSED FINANCIAL INFORMATION (Continued)

EXPENDITURES



THE COOPERATIVE'S GENERAL FUND

Our analysis of the Cooperative's General Fund is included on pages 1 and 2 in the first column of the respective statements. The fund column provides detailed information about the General Fund on a modified accrual basis of accounting, which is a short-term perspective measuring the flow of financial resources, - not the Cooperative's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Cooperative's only fund is the General Fund.

* The fund balance of the General Fund increased by \$61,752 for the year. This represents revenue greater than expenses.

COOPERATIVE BUDGETARY HIGHLIGHTS

Over the course of the year, the Cooperative Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in relation to income and expenditure from grants, the addition of five new libraries to the Cooperative, and changes in telecom costs, compared to prior year.

In October, the Cooperative officially added the University of Michigan - Flint, the Public Libraries of Saginaw, Bay County Library System, the Grace A. Dow Memorial Library (Midland), and Mid-Michigan Medical Center Library to its membership. The additional libraries added over 320,000 people to the cooperative's service area. The Cooperative service population is 1,184,261. This increase, 39% over prior year, brought in additional state aid dollars, which was added to the budget soon after the October 1st start of the fiscal year.

Additional income was received from three new grants during the course of the year. In the winter of 2004, the Cooperative received word on the approval of two LSTA (Library Services and Technology Act) grants administered by the Library of Michigan. One of the grants was for \$6,905 to purchase a Braille Transcriber for our Talking Book Center. The grant was a collaboration between the MMLC Talking Book Center and the Visually Impaired Center, Flint.

The second grant was for \$35,000 to assist four libraries in Lapeer County to upgrade their automated circulation system. The other grant received this past summer was a Federal Reed Act, also administered by the Library of Michigan in the amount of \$16,666. This grant allowed for the purchase of a mobile wireless Internet lab, which could be used by library members for training. During 2003, grant activity was slightly higher by 2%.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

COOPERATIVE BUDGETARY HIGHLIGHTS (Continued)

The third major change in the income budget was reflected in the Local source revenues of \$76,869 showing an increase of 5% over prior year. Local sources involved changes in the telecommunications costs of several of our members as well as costs for delivery charged to the new library members. New members also accounted for the increased income for Programming.

Finally, there was an adjustment made to increase interest income, that came about from our CD investments and the additional cash available due to the addition of new library members. Actual interest income for 2004 was \$19,283 which was down 12% from prior year.

On the expense end of the budget several adjustments were made that reflected the grants and the additional members. Major changes occurred in the following areas, Salary, Delivery, Technology Upgrade Program, Equipment, Programming and Contingency.

In the salary category an additional amount was budgeted for a part-time person whom we thought might be needed with the increase in membership. Over the course of the year we found that this addition to the staff was not needed and so this amount became part of the Fund Balance at year-end.

Delivery, which is our largest part of the budget, took a giant leap. This was due to the addition of new libraries and our commitment to pay for two days a week delivery and for the added income and expense for those new libraries that elected to add additional days.

Technology Upgrade Program under the original budget was eliminated due to income limitations. With the addition of the new libraries we were able to reinstate the program. Equipment was increased to allow for the purchase of a new laptop computer and upgrades in the telephone system and cell phones. Although we were able to accomplish a part of the program, we were hampered by the limitations of the computer network in our building. In January of 2005, the network in our building will be upgraded so that we will have remote access to our email and new cell phones and a laptop will be purchased at that time.

Programming also took a big jump with the addition of the new libraries to the cooperative. This programming jump included additional Summer Reading Performances as well as a fall adult author tour and a children's author tour in both the fall and the spring.

Contingency fund was increased. This was due to a concern on the part of the membership and the administration that Executive Order cuts might come down from the Governor's office. The cuts did not occur and so this is the major reason for the large Fund Balance at year-end. A committee has been appointed to look at using this fund balance for a special project that will benefit the Cooperative members as a whole. The committee will convene in January after the final audit figures are published.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenues	\$603,365	\$840,286	\$795,135	(28.20)	(5.37)
Expenditures	603,365	840,286	733,383	(28.20)	12.72
<u>TOTAL</u>	<u>\$0</u>	<u>\$0</u>	<u>\$61,752</u>		

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Original vs. Final Budgets

<u>Revenue</u>	<u>Original</u>	<u>Final</u>	
Grants	\$ 10,000	\$ 86,297	Three new grants account for the increase in this category.
State Aid Revenue	416,616	556,234	The addition of three new library members with a combined population of over 320,000.
Other Revenue	40,412	53,559	Increase due to interest income and fees collected to support the InMich program, in which eleven of our libraries participate. There was also a slight decrease in the workshop fees mainly due to the number of training we were able to support with grant dollars and not charge members.
<u>Expenditures</u>	<u>Original</u>	<u>Final</u>	
Board Meetings	\$ 2,000	\$ 2,300	Additional amount was added in anticipation of added costs due to the new libraries.
Office Supplies	3,000	4,000	Added to accommodate addition of new libraries.
Auditing	3,500	4,500	Added due to anticipated costs of implementing GASB 34.
Delivery	142,648	183,208	Increase due to the new libraries as well as costs for moving the delivery transfer site and cost of rent for the new delivery transfer site.
InMich	0	16,000	Libraries in the InMich project were to pay for their share of the project. The cooperative was billed for the total cost by Michigan State University. Our libraries, many using funds from their Trust accounts, paid MMLC. No general fund money of the cooperative was used to pay this bill. This cost was not originally know when the budget was first drafted.
2004 Coop Reed Act	0	16,666	This was a new grant received this year for a wireless Internet lab.
2004 Coop Talking Bk	0	8,631	This was a new grant for a Braille Transcriber for the Talking Book Center. The expenditure amount is larger then the grant received because it includes a local match.
2004 LSTA	0	35,000	This was a new grant for upgrading the automated circulation systems in four libraries in Lapeer County.
Transportation	8,500	10,700	This increase was due to the increased travel related to the the addition of the new libraries as well as the addition of a trip to ALA mid-winter.
Promo/Pub. Summer Reading	40,000	52,965	Increase due to the new public libraries added this fiscal year.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Original vs. Final Budgets (Continued)

<u>Expenditures (Con't)</u>	<u>Original</u>	<u>Final</u>	
Children's Program	13,000	16,585	Increase due to new public libraries.
Adult Program	20,000	13,300	Decrease due to having only one adult author tour.
Equipment Purchases	500	4,550	Increase due to the need to upgrade communications to include a new telephone system, a laptop, and new cell phones.
Technology Upgrade	0	62,000	This was added to the budget when the new members joined.
Contingency	928	46,219	A decision was made to have a large contingency in the event that the Governor would issue an Executive Order to cut funding in 2004.

Actual Results vs. Final Budgets

<u>Revenue</u>	<u>Actual</u>	<u>Budget</u>	
Grants	\$ 42,666	\$ 86,297	The entire grant amount was budgeted. Grants are paid on a reimbursement basis, not when the expenditures occur. Income reflects only expenditures made during the current fiscal year and local match money for the LSTA grant for the Braille Transcriber (\$1,726).
<u>Expenditures</u>	<u>Actual</u>	<u>Budget</u>	
Auditing	3,500	4,500	Added due to anticipated costs of implementing GASB 34. Billing for audit did not increase.
Professional Services	320	500	Expenses not as high as anticipated.
2004 Coop Talking Bk	4,590	8,631	This was a new grant for a Braille Transcriber for the Talking Book Center. Cost reflected here is for the transcriber and software. Yet to be purchased is the laptop, additional software and supplies.
Payroll Service	1,356	1,700	Costs did not reach anticipated level.
Continuing Education	2,590	12,700	Most training this year came out of the \$10,000 Reed Act grant.
2004 LSTA	8,250	35,000	This was a new grant for upgrading the automated circulation systems in four libraries in Lapeer County. Only Lapeer District Library was implemented.
Promo/Pub. Coop. Publ.	1,262	2,000	A savings due to fewer newsletter publications.
Insurance	7,222	6,500	Increase costs.
Contingency	3,433	46,219	Tight spending controls.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

CAPITAL ASSETS AND DEBT ADMINISTRATION

As a result of GASB 34 implementation, the Cooperative adopted a capitalization policy of \$1,000. In order to fully implement the new policy we restated the capital assets for this new capitalization policy.

Capital asset activity for the fiscal year ended September 30, 2004, was as follows:

	BALANCE Oct. 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE Sept. 30, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$34,833	\$18,341	\$0	\$53,174
Less: Accumulated Depreciation	<u>(27,860)</u>	<u>(4,050)</u>	<u>0</u>	<u>(31,910)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$6,973</u>	<u>\$14,291</u>	<u>\$0</u>	<u>\$21,264</u>

Significant additions to capital assets were the purchase of laptop computers and a projector.

DEBT

A summary of the debt outstanding at the Cooperative is as follows:

	BALANCE Oct. 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE Sept. 30, 2004
<u>Governmental Activities:</u>				
Compensated Absences	<u>\$23,796</u>	<u>\$2,099</u>	<u>\$0</u>	<u>\$25,895</u>

The compensated absences represent the estimated liability to be paid to employees under the Cooperative's sick and vacation pay policy. Under the Cooperative's policy, employees earn sick and vacation time based on time of service with the Cooperative. In order to fully implement the new policy we restated the compensated absence balance as of October 1, 2003.

CONTACTING THE COOPERATIVE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our members and taxpayers with a general overview of the Cooperative's finances. If you have questions about this report or need additional information, contact the Director at Mideastern Michigan Library Cooperative.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
GOVERNMENTAL FUND BALANCE SHEET/ STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

	<u>General Fund - Modified Accrual Basis</u>	<u>Adjustments (Note 12)</u>	<u>Statement of Net Assets - Full Accrual Basis</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$388,263	\$0	\$388,263
Prepaid Assets	11,769	0	11,769
Total Current Assets	<u>\$400,032</u>	<u>\$0</u>	<u>\$400,032</u>
<u>NON-CURRENT ASSETS</u>			
Capital Assets	0	53,174	53,174
Less: Accumulated Depreciation	<u>0</u>	<u>(31,910)</u>	<u>(31,910)</u>
Total Non-Current Assets	<u>\$0</u>	<u>\$21,264</u>	<u>\$21,264</u>
<u>TOTAL ASSETS</u>	<u>\$400,032</u>	<u>\$21,264</u>	<u>\$421,296</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$1,110	\$0	\$1,110
Accrued Payroll	4,354	0	4,354
Total Current Liabilities	<u>\$5,464</u>	<u>\$0</u>	<u>\$5,464</u>
<u>NON-CURRENT LIABILITIES</u>			
Compensated Absences	<u>0</u>	<u>25,895</u>	<u>25,895</u>
Total Liabilities	<u>\$5,464</u>	<u>\$25,895</u>	<u>\$31,359</u>
<u>FUND BALANCE/NET ASSETS</u>			
<u>FUND BALANCE</u>			
Unreserved - Undesignated	<u>394,568</u>		
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$400,032</u>		
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt		21,264	21,264
Unrestricted		<u>(25,895)</u>	<u>368,673</u>
<u>TOTAL NET ASSETS</u>		<u>(\$4,631)</u>	<u>\$389,937</u>

See accompanying notes to the basic financial statements

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE/ STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	General Fund - Modified Accrual Basis	Adjustments (Note 12)	Activities - Full Accrual Basis
<u>REVENUE</u>			
Charges for Services	\$172,775	\$0	\$172,775
State Aid	556,234	0	556,234
Operating Grants	42,666	0	42,666
Interest Income	19,283	0	19,283
Miscellaneous	4,177	0	4,177
Total Revenue	<u>\$795,135</u>	<u>\$0</u>	<u>\$795,135</u>
<u>EXPENDITURES</u>			
Operating	204,602	(15,500)	189,102
Programs and Projects	528,781	3,308	532,089
Total Expenditures	<u>\$733,383</u>	<u>(\$12,192)</u>	<u>\$721,191</u>
<u>REVENUE OVER (UNDER) EXPENDITURES</u>	<u>\$61,752</u>	<u>\$12,192</u>	<u>\$73,944</u>
<u>FUND BALANCE - BEGINNING OF YEAR - AS RESTATED</u>	<u>\$332,816</u>	<u>(\$16,823)</u>	<u>\$315,993</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$394,568</u>	<u>(\$4,631)</u>	<u>\$389,937</u>

See accompanying notes and auditor's opinion.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2004

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$518,134</u>
<u>TOTAL ASSETS</u>	<u><u>\$518,134</u></u>
<u>LIABILITIES</u>	
Due to Other Libraries	<u>\$518,134</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$518,134</u></u>

See accompanying notes to the basic financial statements.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mideastern Michigan Library Cooperative was established under Michigan Public Act 286, 1965, known as the State Aid to Public Libraries Act of 1965 as amended by Public Act 89, 1977. The service area of the Cooperative is all of Genesee, Bay, Ingham, Midland, Saginaw and Lapeer and most of Shiawassee Counties, plus the northern part of Oakland County. The Cooperative itself does not provide direct service to the public; rather, it aids and assists member libraries in their endeavors to better serve the public. Funds for the Cooperative's operation come from local, state, and federal sources.

The general purpose financial statements of the Mideastern Michigan Library Cooperative have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Cooperative's accounting policies are described below:

REPORTING ENTITY

The Mideastern Michigan Library Cooperative is the basic level of government which has financial accountability and control over all activities related to the Cooperative within the geographical area known as Mideastern Michigan. The Cooperative receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Cooperative is not included in any other governmental "reporting entity" as defined by GASB pronouncement. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 which are included in the Cooperative's reporting entity.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Cooperative has one fund, the General Fund, which is the Cooperative's primary operating fund.

The General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Cooperative considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Normally, expenditures are divided between years by the recording of prepaid expenses. The prepaid expenses reported on the balance sheet represent payments made in advance for 2005 expenditures.

In addition to presenting information for the General Fund, the statements combine all fund activity and present information for the Cooperative as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Cooperative has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

FIDUCIARY FUND TYPE

Trust and Agency Fund

This fund is used to account for assets held by the Cooperative in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT AMOUNTS

CASH AND CASH EQUIVALENTS

The Cooperative considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair market value and determined using selected bases. Short-term investments are reported at cost, which approximate fair values. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

PREPAID EXPENSES

Prepaid balances are for payments made by the Cooperative in the current year to provide services occurring in the subsequent fiscal year.

CAPITAL ASSETS

Generally, capital assets are defined by the Cooperative with an initial cost of more than \$1,000. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Equipment and Furniture	5 - 7 Years

REVENUE RECOGNITION

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Cooperative reports any donor-restricted contributions whose restrictions are not in the same accounting period as unrestricted support.

COMPENSATED ABSENCES

The Cooperative reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick and vacation leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick and vacation leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Cooperative's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT AMOUNTS (Continued)

DEFERRED REVENUE

Income is recognized as revenue as it is earned. Prepayments are recorded as deferred until the revenue is earned over the year.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

ACCOUNTING CHANGE

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments, issued in September 1999. While these statements are scheduled for a phased implementation according to the size of the governmental unit, Mideastern Michigan Library Cooperative has elected adoption, along with all related statements and interpretations, effective October 1, 2003. Changes to the Cooperative's financial statements as a result of GASB No. 34 are as follows:

- * Management's Discussion and Analysis (MD&A) section providing analysis of the Cooperative's overall financial position and results of operations has been included.
- * Financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Cooperative's activities have been provided.
- * Capital assets in the full accrual column of the statement of net assets includes assets totaling \$21,264, previously accounted for by the Cooperative in the General Fixed Asset Account Group.
- * Long-term debt, comprised of compensated absences was previously not accounted for, amounted to \$25,895.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

2) DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Cooperative to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the Cooperative's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Deposits - The Board authorized the following financial institutions for the deposit of the Cooperative's funds for the year ended September 30, 2004: Citizens Commercial & Savings Bank, Chemical – Key State Bank, State Bank – Fenton, Republic Bank, Bank One, Lapeer County Bank and Trust, Michigan National Bank and Fifth Third Bank.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

2) DEPOSITS (Continued)

At September 30, 2004, the carrying amount on the books of the Cooperative was \$906,397. The bank balance with financial institutions classified as to risk was as follows:

Insured (FDIC or FSLIC)	\$ 300,000
Uninsured – Uncollateralized	<u>680,109</u>
<u>TOTAL</u>	<u>\$ 980,109</u>

3) CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2004, was as follows:

	BALANCE Oct. 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE Sept. 30, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$34,833	\$18,341	\$0	\$53,174
Less: Accumulated Depreciation	<u>(27,860)</u>	<u>(4,050)</u>	<u>0</u>	<u>(31,910)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$6,973</u>	<u>\$14,291</u>	<u>\$0</u>	<u>\$21,264</u>

Depreciation expense was \$4,050 for the year ended September 30, 2004.

4) LONG-TERM DEBT

A summary of the debt outstanding at the Cooperative is as follows:

	BALANCE Oct. 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE Sept. 30, 2004
<u>Governmental Activities:</u>				
Compensated Absences	<u>\$23,796</u>	<u>\$2,099</u>	<u>\$0</u>	<u>\$25,895</u>

The compensated absences represent the estimated liability to be paid to employees under various sick and vacation pay contracts. Under the Cooperative's various contracts, employees earn vacation and sick time based on time of service with the Cooperative.

5) RESTATEMENT OF GOVERNMENT-WIDE NET ASSETS

For the fiscal year ended September 30, 2004, the Cooperative implemented GASB Statement 34. As a result, capital assets and accumulated depreciation, and debt were recorded for the first time. Net assets were restated as of October 1, 2003. See October 1, 2003 balances illustrated in Note 3 and Note 4.

6) RENT EXPENSE

The Cooperative is currently renting office space in the Charles Stewart Mott Foundation Building located in Flint, Michigan at a monthly rate of \$723 plus real estate taxes and operating expenses charged once annually. Rent paid for fiscal year ending September 30, 2004 totaled \$9,175. The 3-year lease agreement commenced on March 19, 1999 and expires on March 31, 2002; the lease was renewed for an additional 3-year term. The following is a schedule of future minimum rental payments required under this lease:

September 30, 2005	<u>\$ 4,410</u>
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MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

7) OPERATING LEASES

The Cooperative is currently leasing a postal meter, scale, copier and an automobile. The postage equipment is being leased for 60 months at a quarterly charge of \$150. The lease expires April 20, 2009. The copier is being leased for 48 months at a quarterly charge of \$450. The lease was entered into on April 1, 2001. The automobile is being leased for 36 months at a monthly charge of \$350. The lease was entered into on September 30, 2002.

Future maturities are as follows:

<u>SEPTEMBER 30</u>	<u>Postal Meter</u>	<u>Copier</u>	<u>Auto</u>	<u>Total</u>
2005	\$ 600	\$ 1,800	\$ 4,200	\$ 6,600
2006	600	900	0	1,500
2007	600	0	0	600
2008	600	0	0	600
2009	300	0	0	300
<u>TOTAL</u>	<u>\$ 2,700</u>	<u>\$ 2,700</u>	<u>\$ 4,200</u>	<u>\$ 9,600</u>

8) BUDGETARY DATA

The Cooperative follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to the beginning of the ensuing fiscal year, the Cooperative Board passes a general appropriations act reflecting formal budget approval in accordance with the Michigan Uniform Budget Act.
- 2) Budgeted amounts in this report are as originally adopted or as amended by the Cooperative Board. Amendments to the original appropriations were made due to changes anticipated in the areas of membership and state aid.

9) RISK MANAGEMENT

The Cooperative is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The Cooperative limits its exposure to such claims through its participation in and payment of premiums for insurance coverage. The Cooperative's management believes that this provides sufficient coverage to protect the Cooperative from any significant adverse financial impact.

10) PENSION PLAN

The Cooperative offers a portable employee owned Simplified Employee Pension Plan (SEPP) under internal revenue code section 408(k) covering substantially all full-time employees. Michael Deeb of Deeb & Associates manages the Kemper Investment plan. The employer contribution is determined and reviewed annually by the Board. The current year covered payroll was \$114,646 and the Cooperative's total payroll amounted to \$114,646. The contribution is computed at 3 percent of full-time employee's wages and amounted to \$3,404 for the year ended September 30, 2004.

11) CONTINGENCIES AND COMMITMENTS

The Cooperative participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time although the Cooperative expects such amounts, if any, to be immaterial.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

12) RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Cooperative's General Fund differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$394,568
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Amounts Reported in the Statement of Net Assets Are

Different Because:

Capital Assets are Not Financial Resources, and are Not Reported in the Funds	21,264
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Long-Term Liabilities	<u>(25,895)</u>
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<u>NET ASSETS OF GENERAL FUND - FULL ACCRUAL BASIS</u>	<u><u>\$389,937</u></u>
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Net Changes in Fund Balances - Modified Accrual Basis	\$61,752
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Amounts Reported in the Statement of Activities Are

Different Because:

Capital Outlays are Reported as Expenditures in the Statement of Revenue, Expenditures, and Changes in Fund Balance; in the Statement of Activities, These Costs are Allocated Over Their Estimated Useful Lives as Depreciation:

(Increase) in Long-Term Liabilities	(2,099)
Purchase of Capital Assets	18,341
Depreciation	<u>(4,050)</u>

<u>CHANGES IN NET ASSETS OF GENERAL FUND - FULL ACCRUAL BASIS</u>	<u><u>\$73,944</u></u>
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REQUIRED
SUPPLEMENTARY
INFORMATION

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUE</u>				
Charges for Services	\$167,749	\$175,078	\$172,775	(\$2,303)
State Aid	416,616	556,234	556,234	0
Operating Grants	10,000	86,297	42,666	(43,631)
Interest Income	9,000	18,500	19,283	783
Miscellaneous	0	4,177	4,177	0
Total Revenue	<u>\$603,365</u>	<u>\$840,286</u>	<u>\$795,135</u>	<u>(\$45,151)</u>
<u>EXPENDITURES</u>				
Operating	205,548	271,330	204,602	66,728
Programs and Projects	397,817	568,956	528,781	40,175
Total Expenditures	<u>\$603,365</u>	<u>\$840,286</u>	<u>\$733,383</u>	<u>\$106,903</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>\$0</u>	<u>\$0</u>	<u>\$61,752</u>	<u>\$61,752</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>\$332,816</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$394,568</u>	

INDIVIDUAL FUND SCHEDULES

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
GENERAL FUND
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXPENSES

Operating

Administrative Salaries and Benefits	\$158,246
Auditing	3,500
Board	2,269
Contingency	3,433
Continuing Education Services	2,590
Institutional Dues	1,325
Insurance	7,222
Office Supplies and Materials	8,323
Professional Services	1,676
Rent	10,355
Repairs and Maintenance	2,299
Utilities	3,364
Total Operating	<u>\$204,602</u>

Programs and Projects

Blind and Physically Handicapped	79,403
Cooperative Reed Act Grant	16,666
Delivery and Transportation	186,654
InMich Grant	16,000
Telecommunications	61,590
LSTA Lapeer County Grant	8,250
Programming	29,883
Promotions and Printing	1,262
Summer Reading Program	52,965
Reed Act Grant	10,000
Talking Book Center Grant	4,590
Technology Upgrade Program	61,518
Total Programs and Projects	<u>\$528,781</u>

TOTAL EXPENSES

\$733,383

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	BALANCE OCTOBER 1, 2003	RECEIPTS	DISBURSEMENTS	BALANCE SEPTEMBER 30, 2004
Almont District Library	\$3,039	\$365	\$1,831	\$1,573
Almont District Library - Restricted	365	2,631	1,853	1,143
Bay County - Restricted	0	47,915	47,915	0
CADL Restricted	98,569	114,436	109,521	103,484
Corunna Public Library	1,937	15	1,648	304
Corunna Public Library - Restricted	15	3,112	3,081	46
Dryden Township Library	3,503	246	1,686	2,063
Dryden Township Library - Restricted	246	2,014	2,223	37
Edna C. Bentley Library (Perry)	48	1,098	675	471
Edna C. Bentley Library (Perry) - Restricted	1,098	2,704	3,770	32
Flint Public Library	0	49,572	0	49,572
Flint Public Library - Restricted	49,572	54,422	63,661	40,333
Genesee District Library	1,410	65,065	1,410	65,065
Genesee District Library - Restricted	65,065	138,625	122,077	81,613
Grace A. Dow - Restricted	0	33,080	32,551	529
Holly Township Library	118	336	0	454
Holly Township Library - Restricted	336	8,416	5,006	3,746
Laingsburg County Library	771	2	0	773
Laingsburg County Library - Restricted	2	3,306	2,609	699
Lapeer County Library	21,822	8,914	4,602	26,134
Lapeer County Library - Restricted	8,914	25,982	16,135	18,761
North Branch Library	3,026	165	1,000	2,191
North Branch Library - Restricted	165	3,974	4,025	114
Ruth Hughes Library	918	632	918	632
Ruth Hughes Library - Restricted	632	5,872	3,697	2,807
Saginaw - Restricted	0	61,705	16,262	45,443
Shiawassee District Library:				
Durand Restricted	702	1,903	1,628	977
Durand Revolving	161	702	52	811
Owosso Restricted	5,385	10,806	15,403	788
Owosso Revolving	35,216	5,385	3,444	37,157
Shiawassee County Library	55,584	124	34,348	21,360
Shiawassee County Library - Restricted	124	7,969	2,131	5,962
Vernon District Library	3,098	542	638	3,002
Vernon District Library - Restricted	542	2,169	2,653	58
<u>TOTALS</u>	<u>\$362,383</u>	<u>\$664,204</u>	<u>\$508,453</u>	<u>\$518,134</u>



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

October 21, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Mideastern Michigan Library Cooperative

We have audited the financial statements of the governmental activities of Mideastern Michigan Library Cooperative, as of and for the year ended September 30, 2004, which collectively comprise the Mideastern Michigan Library Cooperative's basic financial statements and have issued our report thereon dated October 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mideastern Michigan Library Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mideastern Michigan Library Cooperative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the finance committee, management and federal awarding agencies and pass-through entities and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS